



---

NEWS RELEASE

Thursday, February 9, 2012  
Press Office - La Fortaleza  
787-721-9166

**Puerto Rico Governor Fortuño Announces Loan Guarantees Program**

*(GDB will invest \$200 million in a guarantees program to spark up business and create jobs;  
it could spur \$800 million in private bank lending*

**San Juan, PR** – Puerto Rico Governor Luis G. Fortuño announced today the launching of a new Government Development Bank for Puerto Rico (GDB) loan guarantees program, known as *Impulso Empresarial*. He made the announcement together with GDB President Juan Carlos Batlle.

“The purpose of this initiative is to create jobs by helping our small and midsize businesses grow and invest in Puerto Rico. The GDB, through its subsidiary Puerto Rico Development Fund (PRDF), has allocated \$200 million to provide guarantees that will spur new loans to businesses through private banks. Businesses—small and midsize—that want to start, expand or improve their operations may apply for a loan with a private bank and the GDB will provide a guarantee for that financing,” the Governor explained.

According to Batlle, “By means of this program the government seeks to facilitate economic development through the private sector. Together with other initiatives we have launched from GDB, such as, a housing stimulus program (known as *Impulso a la Vivienda*), Public-Private Partnerships, and a program promoting entrepreneurship (known as *Desarrollo para el Pueblo*), this new program seeks to strengthen the improvement we have seen in Puerto Rico’s principal economic indicators after nearly five years of economic recession.”

“Small, midsize and large businesses whose financing needs are below five million dollars have difficulty obtaining loans to expand or simply to improve their operations. For this reason we have created this program that is aimed at helping them. Through it, the GDB will guarantee private bank loans. The guarantee percentage provided to each bank will be individually negotiated; therefore, private banks will also assume part of the risk,” the GDB President added.

Governor Fortuño explained that the principal amount borrowed may not exceed \$5 million, unless a justified exception is granted. Loan proceeds may be used for working capital, equipment purchases, starting a new business, or for any other use the PRDF deems

appropriate. On the other hand, the business' and its owner's fiscal liabilities with the Government (such as, taxes, Child Support Administration, etc.) must be up to date.

Also, the \$200 million in guarantees could represent as much as \$800 million in loans sparking up Puerto Rico businesses' growth and, thus, creating jobs and economic development. "The lower the guarantee required by a banking institution, the greater impact we can make with the funds dedicated to this program, enabling us to help more businesses," Fortuño explained.

Battle explained that the program used as models similar programs in the United States and in other countries, such as, Mexico, Chile, and Spain, and received the feedback from members of the local financial sector and of the Governor's SMB Council. What's important in structuring this kind of program is to avoid making the loan approval and closing process burdensome or extremely complicated for a business. The program needs to be flexible, agile and efficient, and that is why we're opening it to comments before launching it," Fortuño said.

"Our intention is to facilitate the commitment that banking institutions have with the development of local businesses. Local banks recently went through a transition process that has made them stronger. This is the type of incentive that should help them fulfill their mission of making the loans the local businesses need in order to move forward. When banking institutions compete in turn to obtain those guarantees, everybody wins: the banks feel more confident lending, businesses receive more benefits and the available resources are better used. GDB representatives will continue to meet with representatives from the financial sector during the coming weeks to deal with the details of the program, and the plan is to formally launch it by mid March."

"This innovative program is another example of our commitment to the development of Puerto Rican businesses, which contribute to economic growth and job creation", the Governor concluded.

#### *More about the Impulso Empresarial program*

The PRDV will request proposals from banks wishing to participate in the *Impulso Empresarial* loan guarantees program. The PRDF will choose the winning bids based on certain specific criteria, such as, the maximum amount a private bank agrees to lend under the program, the guarantee percentage rate it is willing to obtain from the PRDF, and the estimated time period to originate and close the loans. Once the winning bids are chosen, the PRDF will assign the right to these guarantees in accordance with the offers each one has made. The PRDF will provide the guarantee for these loans, and will negotiate individually the guarantee percentage.

Participating Banks must commit to originating the whole loan within one year. Interest rates will be competitive with market rates and will be established individually on a case-by-case basis with each banking institution. In addition, participating banks will agree to establish a marketing plan advertising the type of loan that will be granted under the program. The guarantees will be evaluated and approved on a case-by-case basis by a PRDF committee before the banking institution closes the loan deal, but with the assurance that the committee will not

take more than one week to approve or deny any guarantee application. These guarantees will be for a seven-year term after the loan agreement is closed.

###